

Apple Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In millions, except number of shares which are reflected in thousands and per share amounts)

	Three Months Ended		Six Months Ended	
	April 1, 2017	March 26, 2016	April 1, 2017	March 26, 2016
Net sales	\$ 52,896	\$ 50,557	\$ 131,247	\$ 126,429
Cost of sales <sup>(1)</sup>	32,305	30,636	80,480	76,085
Gross margin	20,591	19,921	50,767	50,344
Operating expenses:				
Research and development <sup>(1)</sup>	2,776	2,511	5,647	4,915
Selling, general and administrative <sup>(1)</sup>	3,718	3,423	7,664	7,271
Total operating expenses	6,494	5,934	13,311	12,186
Operating income	14,097	13,987	37,456	38,158
Other income/(expense), net	587	155	1,408	557
Income before provision for income taxes	14,684	14,142	38,864	38,715
Provision for income taxes	3,655	3,626	9,944	9,838
Net income	\$ 11,029	\$ 10,516	\$ 28,920	\$ 28,877
Earnings per share:				
Basic	\$ 2.11	\$ 1.91	\$ 5.50	\$ 5.22
Diluted	\$ 2.10	\$ 1.90	\$ 5.46	\$ 5.19
Shares used in computing earnings per share:				
Basic	5,225,791	5,514,381	5,262,226	5,536,656
Diluted	5,261,688	5,540,886	5,294,841	5,567,506
Cash dividends declared per share	\$ 0.57	\$ 0.52	\$ 1.14	\$ 1.04
<sup>(1)</sup> Includes share-based compensation expense as follows:				
Cost of sales	\$ 217	\$ 191	\$ 446	\$ 395
Research and development	\$ 575	\$ 468	\$ 1,164	\$ 934
Selling, general and administrative	\$ 425	\$ 389	\$ 863	\$ 797

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CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In millions, except number of shares which are reflected in thousands and par value)

	April 1, 2017	September 24, 2016
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 15,157	\$ 20,484
Short-term marketable securities	51,944	46,671
Accounts receivable, less an allowance of \$53 at each period end	11,579	15,754
Inventories	2,910	2,132
Vendor non-trade receivables	9,033	13,545
Other current assets	11,367	8,283
Total current assets	101,990	106,869
Long-term marketable securities	189,740	170,430
Property, plant and equipment, net	27,163	27,010
Goodwill	5,473	5,414
Acquired intangible assets, net	2,617	3,206
Other non-current assets	7,549	8,757
Total assets	\$ 334,532	\$ 321,686
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Accounts payable	\$ 28,573	\$ 37,294
Accrued expenses	23,096	22,027
Deferred revenue	7,682	8,080
Commercial paper	9,992	8,105
Current portion of long-term debt	3,999	3,500
Total current liabilities	73,342	79,006
Deferred revenue, non-current	3,107	2,930
Long-term debt	84,531	75,427
Other non-current liabilities	39,470	36,074
Total liabilities	200,450	193,437
Commitments and contingencies		
Shareholders' equity:		
Common stock and additional paid-in capital, \$0.00001 par value: 12,600,000 shares authorized; 5,205,815 and 5,336,166 shares issued and outstanding, respectively	33,579	31,251
Retained earnings	100,925	96,364
Accumulated other comprehensive income/(loss)	(422)	634
Total shareholders' equity	134,082	128,249
Total liabilities and shareholders' equity	\$ 334,532	\$ 321,686

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In millions)

	Six Months Ended	
	April 1, 2017	March 26, 2016
Cash and cash equivalents, beginning of the period	\$ 20,484	\$ 21,120
Operating activities:		
Net income	28,920	28,877
Adjustments to reconcile net income to cash generated by operating activities:		
Depreciation and amortization	5,319	5,431
Share-based compensation expense	2,473	2,126
Deferred income tax expense	2,822	3,092
Other	(209)	308
Changes in operating assets and liabilities:		
Accounts receivable, net	4,183	4,538
Inventories	(778)	68
Vendor non-trade receivables	4,512	5,899
Other current and non-current assets	(896)	186
Accounts payable	(6,862)	(9,388)
Deferred revenue	(221)	219
Other current and non-current liabilities	316	(2,292)
Cash generated by operating activities	39,579	39,064
Investing activities:		
Purchases of marketable securities	(99,821)	(86,242)
Proceeds from maturities of marketable securities	12,429	9,148
Proceeds from sales of marketable securities	60,454	50,051
Payments made in connection with business acquisitions, net	(67)	(140)
Payments for acquisition of property, plant and equipment	(6,309)	(5,948)
Payments for acquisition of intangible assets	(126)	(657)
Payments for strategic investments	—	(126)
Other	116	(196)
Cash used in investing activities	(33,324)	(34,110)
Financing activities:		
Proceeds from issuance of common stock	273	247
Excess tax benefits from equity awards	225	264
Payments for taxes related to net share settlement of equity awards	(788)	(751)
Payments for dividends and dividend equivalents	(6,134)	(5,871)
Repurchases of common stock	(18,012)	(13,530)
Proceeds from issuance of term debt, net	10,975	15,584
Change in commercial paper, net	1,879	(503)
Cash used in financing activities	(11,582)	(4,560)
Increase/(Decrease) in cash and cash equivalents	(5,327)	394
Cash and cash equivalents, end of the period	\$ 15,157	\$ 21,514
Supplemental cash flow disclosure:		
Cash paid for income taxes, net	\$ 6,878	\$ 6,630
Cash paid for interest	\$ 1,007	\$ 565